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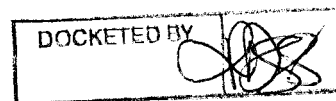
Arizona Corporation Commission

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COMMISSIONERS

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IN THE MATTER OF THE
APPLICATION OF JOHNSON
UTILITIES, LLC, DBA JOHNSON
UTILITIES COMPANY FOR AN
INCREASE IN ITS WATER AND
WASTEWATER RATES FOR
CUSTOMERS WITHIN PINAL
COUNTY, ARIZONA.

DOCKET NO. WS-02987A-08-0180

**JOHNSON UTILITIES' REPLY IN
SUPPORT OF PETITION TO AMEND
DECISION 71854**

Johnson Utilities, L.L.C. ("Johnson Utilities" or the "Company") submits its Reply in Support of Petition to Amend Decision 71854 Pursuant to A.R.S. § 40-252 to address the responses filed by Utilities Division Staff ("Staff"), the Residential Utility Consumer Office ("RUCO") and intervenor Swing First Golf ("SFG") on June 1, 2011.

I. **DECISION 71854 DOES NOT PROVIDE JUST AND REASONABLE RATES.**

On August 25, 2010, the Commission issued Decision 71854 setting new rates and charges for Johnson Utilities. Due to various deficiencies in the Decision, as described in the Petition to Amend Decision 71854, the authorized rates and charges do not provide Johnson Utilities a just and reasonable return on its fair value rate base. In fact, the totality of these deficiencies produces a negative rate base for the combined water and wastewater divisions which places Johnson Utilities in financial jeopardy. As a result, Johnson Utilities respectfully urges the Commission to grant the relief requested in the Company's Petition to Amend Decision 71854.

II. **REQUESTED AMENDMENTS TO DECISION 71854.**

A. **Modification of \$40 Late Charge.**

In its response, Staff supports Johnson Utilities' request to change the \$40 late fee in its wastewater tariff to a late fee of 1.5% per month of the unpaid bill balance, consistent with the Company's water tariff.¹ Neither RUCO nor SFG took a position on this issue in their respective responses, but it can be assumed that they would both support the request. Thus, there is agreement (or at least a lack of opposition) on this requested amendment to Decision 71854.

B. **Reinstatement of \$18,244,755 of Disallowed Wastewater Division Plant.**

1. **Decision 71854 Arbitrarily Removed \$10,892,391 of Wastewater Plant on the Grounds that Johnson Utilities Did Not Adequately Support the Plant.**

Staff argues in its response that the unprecedented \$10,892,391 disallowance of wastewater division plant is "consistent with prior orders and is not arbitrary."² These assertions, however, cannot be supported. Staff admits—and there is no dispute—that "the Company submitted voluminous documents," but argues that its "audit and analysis could not verify the Company's claims."³ On this basis, Staff recommended an across-the-board 10% disallowance to all utility plant, both wastewater and water.⁴ However, the Commission rejected Staff's corresponding water disallowance of \$7,433,707 when it adopted Decision 71854. Likewise, the Commission should now reject the arbitrary

¹ Staff notes in its response that the consequence of the \$40 fee has been a substantial reduction in late sewer bill payments.

² Staff's Response to Petition to Amend at page 3, lines 20-21.

³ *Id.* at page 3, lines 15-17.

⁴ Staff asserts that its job was made more difficult because Johnson Utilities was not timely in its response to data requests in the rate case, and cites as an example, that "[i]n a letter dated April 21, 2009, the Company supplemented its responses to a Staff data request, a data request that was issued in August 2008," and that the "information was provided a mere two days before the commencement of the hearing." Staff's Response to Petition to Amend at 4, lines 8-11. While it is true that the Company supplemented a response to a prior data request on April 21, 2009, the information provided was actually additional information requested by Staff at a meeting with the Company shortly before the hearing. The record in this case demonstrates that Johnson Utilities worked diligently to provide the information requested by Staff on a timely basis.

1 \$10,892,391 disallowance of wastewater plant. Johnson Utilities notes that neither
2 RUCO nor SFG proposed the removal of wastewater plant on the grounds that it was not
3 adequately supported by Johnson Utilities.

4 Johnson Utilities provided substantial evidence at the hearing to support its
5 wastewater plant costs. In fact, of all of the supporting documentation requested by
6 Staff, the evidence shows that the Company failed to support only \$1,047,941 from its
7 wastewater division plant-in-service account.⁵ The remainder of the Company's
8 wastewater plant-in-service costs was supported by contracts, invoices, cancelled checks,
9 and/or line extension agreements, together with accounting records, bank statements,
10 plant schedules, reconciliations, and other documentation.

11 On cross-examination, Staff's witness testified that line extension agreements,
12 construction agreements, invoices, receipts and other supporting documentation are the
13 types of documentation that a utility would traditionally submit to substantiate plant
14 costs.⁶ Further, the Staff witness admitted that he did not identify one specific item of
15 plant that was inadequately documented or unsupported by Johnson Utilities.⁷ Because
16 Staff did not identify specific plant items for disallowance, the Company never received
17 sufficient information to challenge the disallowance or raise a reasonable defense
18 regarding the plant costs that were disallowed. Thus, Staff's disallowance is *de facto*
19 arbitrary.

20 Staff asserts that its disallowance in this case is consistent with prior Commission
21 orders, citing the Commission's disallowance of \$2,015,170 in Arizona-American Water
22 Company plant for inadequate documentation in Decision 71410 (December 8, 2009).
23 However, the Arizona-American case is distinguishable from this case in at least two
24 critical and relevant ways. First, in disallowing the Arizona-American plant, Staff
25 identified specific plant items which purportedly lacked supporting documentation. By
26 so doing, Arizona-American had actual notice and an opportunity to address the lacking

27 ⁵ Hearing Exhibit A-2, Volume III at 7.

28 ⁶ Hearing Transcript Vol. XI at 1643 (Michlik).

⁷ *Id.* at pages 1660-1661.

1 documentation. In addition, the Commission expressly acknowledged the opportunity
2 for Arizona-American to address the disallowed plant with additional supporting
3 documentation in a future rate case, stating as follows:

4 The exclusion of undocumented plant costs in this case does not prevent the
5 Company from submitting proper documentation evidencing the actual
6 costs paid for the plant for audit in a future rate proceeding.⁸

7 By comparison, Staff failed to identify a single item of wastewater plant that was
8 not adequately supported by Johnson Utilities, instead opting to apply a blanket 10%
9 disallowance. As a result, the Company has no way to challenge the disallowance, or to
10 address the issue in a future rate case like Arizona-American. Without identifying
11 specific items of plant for disallowance, Johnson Utilities would be required to resubmit
12 supporting document for all of its plant. Thus, unlike Arizona-American, Johnson
13 Utilities has no reasonable way to get back the disallowed plant costs in a future rate case
14 proceeding.

15 Second, the \$2 million disallowance in the Arizona-American rate case pales in
16 comparison to the combined \$18,326,098 water and wastewater plant disallowance
17 recommended in this case by Staff for inadequately supported plant. In fact, Johnson
18 Utilities believes—and no party has disputed—that the \$10,892,391 disallowance in this
19 case is by far the largest ever taken against a wastewater utility in Arizona. Such an
20 unprecedented disallowance is not supported by the evidence in this case.

21 In its response, Staff also argues that its conclusion regarding the alleged
22 inadequacy of the documentation is corroborated by a conclusion reached in a 2006 audit
23 prepared by Henry & Horne.⁹ However, Henry & Horne did not attempt to perform an
24 audit of Johnson Utilities' physical plant. Moreover, it also bears noting that Henry &
25 Horne was hired to prepare the report by the Town of Florence which, at a time, was
26 negotiating with Johnson Utilities over the possible purchase of the Company's water and
27 wastewater systems. Any deductions in the plant values for the Company would have

28 ⁸ Decision 71410 at page 26, lines 12-15.

⁹ Staff's Response to Petition to Amend beginning at page 3, line 22.

1 resulted in a lower purchase price for the Town.

2 Finally, there can be no doubt that the \$10,892,391 wastewater disallowance was
3 arbitrary and capricious in this case. Staff's rationale for recommending the disallowance
4 of wastewater plant for inadequately supported plant was exactly the same as its rationale
5 for recommending the disallowance of water plant. Yet, the Commission rejected the
6 recommended \$7,433,707 disallowance of water plant but adopted the recommended
7 \$10,892,391 disallowance of wastewater plant. There is simply no way to reconcile this
8 disparate treatment. For the reasons set forth above, as well as in Johnson Utilities'
9 (i) Petition to Amend Decision 71854, (ii) Exceptions to the Recommended Opinion and
10 Order filed May 17, 2010, (iii) Closing Brief filed November 20, 2009, and (iv) Reply
11 Brief filed December 11, 2009, the Commission should amend Decision 71854 to add
12 back the disallowed wastewater plant totaling \$10,892,391 to the Company's rate base.

13 2. **Decision 71854 Arbitrarily Removed \$7,352,364 of Wastewater**
14 **Plant for Alleged Affiliate Profit.**

15 In addition to the disallowance for inadequately supported plant discussed in the
16 preceding section, Decision 71854 erroneously removed \$7,352,364 from wastewater
17 plant-in-service for alleged affiliate profit. Johnson Utilities notes that neither RUCO
18 nor SFG proposed an adjustment to wastewater plant to remove affiliate profit. The
19 affiliated profit reduction represents 7.5% of \$98,031,520 of Johnson Utilities' total
20 wastewater plant,¹⁰ even though in its response to Staff Data Request JMM 9.2, Johnson
21 Utilities provided Staff with a complete listing of affiliate-constructed wastewater plant
22 which totaled only \$45,724,508.¹¹ Staff's citation to the above-referenced Henry &
23 Horne audit to support the assertion that Johnson Utilities used affiliates to construct
24 substantially all of the Company's water and wastewater plant is simply contradicted by
25 the uncontroverted evidence in the case.¹² Similarly, Staff's assertion that it did not see
26 payments to any construction entity other than an affiliate of Johnson Utilities in the

27 ¹⁰ See Staff's Final Schedule, JMM-WW3.

28 ¹¹ Hearing Exhibit A-2, Volume III at page 5.

¹² Staff's Response to Petition to Amend at page 7, lines 5-6.

1 cancelled checks and bank statements submitted by the Company fails to prove the
2 point.¹³ Much of Johnson Utilities' water and wastewater plant was constructed by
3 developers and contributed or advanced to the Company. Johnson Utilities does not
4 make payments to developers for this plant, except in the case of refunds of advances in
5 aid of construction. Thus, Staff erroneously assumed that all of the Company's water and
6 wastewater plant was constructed by affiliates.

7 At the hearing, Johnson Utilities provided uncontroverted evidence that the 7.5%
8 disallowance applied to virtually all of the Company's wastewater plant is grossly
9 overstated. For example, the affiliate contracts and the responses provided to Staff by
10 the Company in its data responses (Staff data requests JMM 1-43 and JMM 4-2) clearly
11 show that the affiliate contracts included a mark-up of 5-10% for both affiliate profit and
12 overhead—not just affiliate profit.¹⁴ Further, as explained by the Company in its
13 response to Staff Data Request JMM 9-2, the Company's affiliates added 10% to the
14 base contract cost to cover overhead and profit, and the affiliate profit represented only
15 2% of the contract cost.¹⁵

16 Johnson Utilities does not dispute the Commission's authority to exclude affiliate
17 profit from plant-in-service. In fact, the Company provided uncontroverted evidence at
18 the hearing that for the water division, an adjustment of \$469,832 was made to plant-in-
19 service to remove affiliate profit on affiliate-constructed water plant totaling
20 \$26,847,516,¹⁶ and for the wastewater division, an adjustment of \$800,179 was made to
21 plant-in-service to remove affiliate profit on affiliate-constructed wastewater plant
22 totaling \$45,724,508.¹⁷ The Company also provided uncontroverted evidence that the
23 appropriate affiliate profit percentage on affiliate contracts is 1.75% not 7.5%, as
24 arbitrarily adopted by Staff.¹⁸

25 ¹³ *Id.* at page 7, lines 9-10.

26 ¹⁴ Hearing Exhibit A-2, Volume II at pages 5-6.

27 ¹⁵ Hearing Exhibit A-2, Volume II at page 6.

28 ¹⁶ Hearing Exhibit A-2, Volume II at page 4.

¹⁷ Hearing Exhibit A-2, Volume III at page 5.

¹⁸ Hearing Exhibit A-2, Volume II at pages 4-5.

Like the disallowance for inadequately supported plant discussed above, there can be no doubt that the \$7,352,364 wastewater disallowance for alleged affiliate profit was arbitrary and capricious in this case. Staff's rationale for recommending the disallowance of wastewater plant to remove affiliate profit was exactly the same as its rationale for recommending the disallowance of water plant. Yet, the Commission rejected the recommended \$5,017,752 disallowance of water plant but adopted the recommended \$7,352,364 disallowance of wastewater plant. Again, there is simply no way to reconcile this disparate treatment. For the reasons set forth above, as well as in Johnson Utilities' (i) Petition to Amend Decision 71854, (ii) Exceptions to the Recommended Opinion and Order filed May 17, 2010, (iii) Closing Brief filed November 20, 2009, and (iv) Reply Brief filed December 11, 2009, the Commission should amend Decision 71854 to add back the disallowed wastewater plant totaling \$7,352,364 to the Company's rate base.

C. **Exclusion of \$6,931,078 of Unexpended Test-Year Hook-Up Fees.**

RUCO correctly acknowledges that the Commission recently changed its historical approach regarding the treatment of unexpended hook-up fees ("HUFs") in a rate case in the Bella Vista Water Company rate case.¹⁹ In Decision 72251 (April 7, 2011), the Commission quoted the relevant portion of NARUC's definition of contribution-in-aid-of-construction, and then ruled as follows:

We find that HUF funds meet this definition and are appropriately deducted from rate base as non-investor supplied capital. However we think that such deductions should not occur until such amounts have been expended for plant. We will therefore require the Company to include the following language in its HUF tariff:

The company shall record amounts collected under the tariff as CIAC; however, such amounts shall not be deducted from rate base until such amounts have been expended for plant.²⁰ (emphasis added).

¹⁹ Consolidated Docket Nos. W-02465A-09-0411, W-20453A-09-0412, W-20454A-09-0413, W-02465A-09-0414, W-20453A-09-0414 and W-20454A-09-0414.

²⁰ Decision 72251 at page 47, lines 2-11.

1 The Bella Vista Water Company case is directly on point regarding the treatment
2 of the unexpended HUFs at issue in Johnson Utilities' rate case. In fact, the arguments
3 raised by RUCO in opposition to the exclusion of unexpended test-year HUFs in this
4 case are the very same arguments raised by RUCO and rejected by the Commission in
5 the recent Bella Vista Water Company case. Thus, following the ruling in Decision
6 72251, the \$6,931,078 of unexpended test-year HUFs in this case should be excluded
7 from rate base until the HUFs have been expended for plant.

8 It is surprising that Staff does not address the recent Bella Vista Water Company
9 decision in its response. The very same arguments raised by Staff in its response to the
10 Petition to Amend Decision 71854 were raised by Staff and rejected by the Commission
11 in the Bella Vista Water Company case. Presumably, this is simply an oversight on the
12 part of Staff, and Staff does not intend to take a position opposing the Commission's
13 position set out in the Bella Vista Water Company case.

14 Neither RUCO nor Staff articulates a defensible basis for treating Johnson
15 Utilities differently than Bella Vista Water Company, and SFG does not address the issue
16 of unexpended HUFs. For the reasons set forth above, as well as in Johnson Utilities'
17 (i) Petition to Amend Decision 71854, (ii) Exceptions to the Recommended Opinion and
18 Order filed May 17, 2010, (iii) Closing Brief filed November 20, 2009, and (iv) Reply
19 Brief filed December 11, 2009, the Commission should amend Decision 71854 to
20 exclude unexpended HUFs from test-year rate base.

21 D. **Reinstatement of Water and Wastewater Hook-Up Fees.**

22 Staff stated in its response that it recommended discontinuance of Johnson
23 Utilities' water HUF and wastewater HUF "[b]ecause of the magnitude of the CIAC
24 balances."²¹ Staff further stated that while it "is supportive of the use of hook-up fees,
25 there should be a balance between the amount of equity the Company is investing in
26 plant and what customers are investing in plant through hook-up fees."²² Staff further

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28 ²¹ Staff's Response to Petition to Amend at page 8, lines 22-23.

²² *Id.* at page 8, lines 23-25.

1 stated that "there was little equity in the Company's capital structure."²³ However, as
2 discussed below, these arguments lack merit.

3 First, with respect to the size of the contribution-in-aid-of-construction account
4 balances, it must be noted that the Company's wastewater HUF account had a balance of
5 only \$16,505 at the end of the test year.²⁴ Thus, Staff's rationale for discontinuing the
6 wastewater HUF due to the size of the account balance simply does not apply.

7 Second, while the water HUF account balance was much larger than the sewer
8 HUF account at the end of the test year, there were good reasons for this. Historically,
9 Johnson Utilities has collected HUFs in advance of the time the Company will be
10 expected to provide service to the customers for whom the HUFs are credited.²⁵ The
11 period between the time a HUF is collected, the time the capital improvements to provide
12 capacity are constructed, and the date that a customer connects to the system can be a
13 year or longer.²⁶ Thus, while the Company's water HUF account had a balance of
14 \$6,931,078 at the end of 2007, these fees were collected for developments where
15 construction stopped due to the slow-down in the real estate market.²⁷ In coming years,
16 Johnson Utilities will still be required to meet its obligations to build plant for these
17 developments that were started during the real estate boom. Thus, Staff's focus on the
18 size of the water HUF account is misplaced.

19 Third, while Staff states on page 8 of its response "that there is little equity in the
20 Company's capital structure," Staff states on page 9 of its response that "[t]he Company's
21 capital structure is heavily laden with equity (2.79% long-term debt and 97.21 percent
22 equity)." Obviously, Staff is confused on this issue. The uncontroverted evidence at the
23 hearing showed that the HUF covers only 40-45% of Johnson Utilities' cost of providing
24 service to a new subdivision.²⁸ The remaining 55-60% of the cost of the subdivision is

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26 ²³ *Id.* at page 8, line 23.

²⁴ RUCO Opening Brief (November 20, 2009) at page 5, lines 3-6.

²⁵ Hearing Exhibit A-2, Volume II at page 15.

²⁶ *Id.*

²⁷ Hearing Exhibit A-5 at page 31.

²⁸ Hearing Exhibit A-5 at page 30.

1 funded by equity.²⁹ Thus, Staff's equity argument likewise must fail.

2 Neither RUCO nor SFG have taken a position regarding the discontinuance of the
3 HUFs. For the reasons set forth above, as well as in Johnson Utilities' (i) Petition to
4 Amend Decision 71854, (ii) Exceptions to the Recommended Opinion and Order filed
5 May 17, 2010, (iii) Closing Brief filed November 20, 2009, and (iv) Reply Brief filed
6 December 11, 2009, the Commission should amend Decision 71854 to reinstate Johnson
7 Utilities' HUF tariff for new water and sewer connections.

8 E. **Establishment of a Rate of Return.**

9 In its response, RUCO stated that the Commission should use an 8.18% rate of
10 return for Johnson Utilities based upon its weighted average cost of capital ("WACC")
11 should the Commission approve a positive rate base for the Company's water and/or
12 wastewater divisions. Staff and SFG elected not to present testimony or evidence at the
13 hearing regarding an appropriate rate of return for Johnson Utilities. Now, Staff states in
14 its response that the Commission should impute a hypothetical capital structure
15 composed of 40% long term debt and 60% equity, as proposed by RUCO, if the
16 Commission grants the Company's Petition to Amend Decision 71854.³⁰ Although not
17 stated in its response, Staff presumably supports the 8.18% WACC recommended by
18 RUCO.

19 If the Commission amends Decision 71854 to: (i) rescind the 10% blanket
20 disallowance (\$10,892,755) for alleged inadequately supported wastewater division
21 plant; (ii) rescind the 7.5% blanket disallowance (\$7,352,364) for alleged affiliate profit;
22 and (iii) exclude from rate base the \$6,931,078 in unexpended water HUFs, then Johnson
23 Utilities will have a positive rate base for both its water and wastewater divisions. In its

24 ²⁹ *Id.*

25 ³⁰ In its response, Staff recommends imputing a hypothetical capital structure because "[t]he Company's
26 capital structure is heavily laden with equity (2.79% long-term debt and 97.21 percent equity)." Staff
27 Response to Petition to Amend (June 1, 2011) at page 9, lines 18-23. However, on the prior page Staff
28 argues that the Company's HUF tariff was properly discontinued because "Staff found that there was little
equity in the Company's capital structure." *Id.* at page 8, line 23. Obviously, Staff is confused on the
Company's capital structure. In addition, Staff incorrectly alleges that Johnson Utilities has negative rate
bases for both water and sewer. *Id.* at page 9, lines 5-6. Actually, the sewer rate base is small but
positive.

1 pre-filed testimony and at hearing, the Company provided compelling evidence to
2 support a cost of equity of 12.0%, a cost of debt of 8.0%, and a WACC of 11.89%.³¹ In
3 its pre-filed testimony and at hearing, RUCO argued for a cost of equity of 8.31%, a cost
4 of debt of 8.0%, and a WACC of 8.18%.³² Thus, based upon the evidence presented at
5 the Johnson Utilities submits that a rate of return in the range of 8.18% to 11.89% is
6 reasonable, and would result in rates that are just and reasonable.

7 In its filing on June 1, 2011, Johnson Utilities submitted a set of schedules
8 showing the rate impacts of the various requests in the Petition to Amend Decision
9 71854.³³ In preparing the schedules, the Company assumed a WACC of 10.04% which
10 is the midpoint between the WACC of 8.18% proposed by RUCO and the WACC of
11 11.89% proposed by the Company. Johnson Utilities believes that a WACC of 10.04%
12 is reasonable in light of the testimony and evidence presented at the hearing, and that
13 RUCO's proposed WACC of 8.18% is too low. Based upon the ten rate case decisions
14 for Arizona water and gas utilities in 2010, the average return on equity approved by the
15 Commission was 9.29%. Johnson Utilities submits that a WACC of 10.04% is in line
16 with these cases, and that the Commission should adopt that figure in this case.

17 F. **Reclassification of \$2,201,386 of Wastewater Plant as Test-Year Plant.**

18 During the rate case, Johnson Utilities discovered that \$2,201,386 of wastewater
19 plant originally classified as post test-year plant and booked to plant in 2008 was actually
20 placed into service in 2007.³⁴ In the Company's rate case rebuttal filing, this plant was
21 reclassified from post test-year plant to test year plant-in-service. However, Staff
22 refused to acknowledge the misclassification, and Decision 71854 excluded \$2,201,386
23 of misclassified test-year wastewater division plant from rate base.

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26 ³¹ Hearing Exhibit A-2, Volume I at page 3.

27 ³² Hearing Exhibit R-9 at pages 3-4.

28 ³³ Johnson Utilities' Notice Regarding Rate Impacts of Relief Requested in §40-252 Petition, Customer Notice and Procedure (June 1, 2011), Attachment 1.

³⁴ Hearing Exhibit A-2, Volume III at page 14; *see also* Johnson's Final Schedules, Wastewater Division, Schedule B-2 at 3.4.

1 In its response, Staff completely sidesteps the merits of the Company's explanation
2 regarding the misclassified test-year wastewater plant. However, the record in this case
3 is clear that the misclassified plant was in service during the 2007 test year, as evidenced
4 by the following testimony of Staff's own witness:

5 (BY MR. CROCKETT) Now, Mr. Scott, the line 19, do you see what Mr. -
6 - do you see what Mr. Bourassa's note or comment says on that item, the
7 Hunt Highway force main?

8 (BY MR. SCOTT) Yes.

9 Q. And does it say that that force main connects the Section 11 and
10 Anthem Wastewater Treatment Plant?

11 A. Yes.

12 Q. And it says there year in service was 2007. Do you see that?

13 A. Yes.

14 Q. Do you have any reason -- let me back up. Did you actually confirm
15 that there is a force main that connects to the Section 11 and Anthem plant?

16 A. Yes.

17 Q. Do you know what year that force main was placed in service?

18 A. During the test year.

19 Q. During the test year?

20 A. Yes.

21 Q. Is there any question in your mind about that?

22 A. No.

23 Q. Then this would not be an item of post-test-year plant, would it?

24 A. Well, there is also that accounting side as how to show it on the books
25 and records. I'm not going to get into that or how it was reported. I will
26 leave it at that. That is an accounting issue for Mr. Michlik.

27 Q. But as far as your engineering analysis goes you confirmed that that
28 force main connecting Section 11 and Anthem Treatment Plant was in
place and in service in 2007?

A. Yes.³⁵ (emphasis added)

RUCO did not object to the Company's request to reclassify the misclassified
wastewater treatment plant, and SFG did not take a position on the issue. For the reasons

³⁵ Hearing Transcript Vol. X at pages 1498-1499 (Scott).

1 set forth above, as well as in Johnson Utilities' (i) Petition to Amend Decision 71854, (ii)
2 Exceptions to the Recommended Opinion and Order filed May 17, 2010, (iii) Closing
3 Brief filed November 20, 2009, and (iv) Reply Brief filed December 11, 2009, the
4 Commission should amend Decision 71854 to include the misclassified wastewater plant
5 in the amount of \$2,201,386 in test-year rate base.

6 G. **Addition of \$1,021,076 of Post Test-Year Wastewater Plant.**

7 Johnson Utilities seeks the inclusion of \$1,021,076 in post test-year wastewater
8 plant in rate base. The post test-year plant is comprised of two items: the Parks Lift
9 Station project at a cost of \$486,714 and the Queen Creek Leach Field project at a cost of
10 \$534,394.³⁶ RUCO did not object to the Company's request to include this post test-year
11 wastewater treatment plant, and SFG did not take a position on the issue.

12 In its response, Staff largely ignores the arguments set forth in the Company's
13 Petition to Amend Decision 71854. For example, Staff states that Johnson Utilities
14 provided no credible evidence, other than conclusory statements, that the Parks Lift
15 Station was necessary.³⁷ However, Johnson Utilities presented uncontroverted witness
16 testimony at the hearing that the Parks Lift Station was constructed for use initially by a
17 Fry's shopping center that was started in 2007, and that without completion of the Parks
18 Lift Station, the Company would have been forced to pay to vault and haul the
19 wastewater generated at the shopping center to the Pecan Wastewater Treatment Plant at
20 great expense.³⁸ These are not "conclusory" statements; they constitute credible
21 evidence of the need for the Parks Lift Station to serve test-year customers.

22 Staff also asserts, incorrectly, that Johnson Utilities did not provide any evidence
23 that the plant additions were revenue neutral.³⁹ To the contrary, the Company presented
24 expert witness testimony that the Parks Lift Station and Queen Creek Leach Field project
25 were revenue neutral and necessary, for reasons of system reliability, to serve the test
26

27 ³⁶ Hearing Exhibit A-2, Volume III at pages 14-15.

28 ³⁷ Staff's Response to Petition to Amend at page 11, lines 25-26.

³⁸ Hearing Exhibit A-5 at page 34.

³⁹ Staff's Response to Petition to Amend at page 12, lines 1-2.

1 year-end level of customers.⁴⁰ Staff ignores this evidence.

2 Finally, Staff acknowledges the prior Commission decisions cited by Johnson
3 Utilities in its Petition to Amend Decision 71854, but states summarily that they are all
4 distinguishable from this case without so much as a word of analysis.⁴¹

5 For the reasons set forth above, as well as in Johnson Utilities' (i) Petition to
6 Amend Decision 71854, (ii) Exceptions to the Recommended Opinion and Order filed
7 May 17, 2010, (iii) Closing Brief filed November 20, 2009, and (iv) Reply Brief filed
8 December 11, 2009, the Commission should amend Decision 71854 to include the post
9 test-year wastewater plant in the amount of \$1,021,076 in test-year rate base.

10 H. **Including Imputed Income Tax Expense.**

11 In the recent Sahuarita Water Company rate case (Docket W-03718A-09-0359),
12 the Commission agreed to examine the merits of imputing income tax expense to S-
13 corporations and limited liability companies in the ongoing water workshops in Docket
14 W-00000C-06-0149. Decision 72177 ordered that "in the event the Commission alters
15 its policy to allow S-corps and LLCs to impute a hypothetical income tax expense for
16 ratemaking purposes, Sahuarita Water Company, LLC may file a motion to amend this
17 Order prospectively, and Sahuarita Water Company, LLC's authorized revenue
18 requirement hereunder, pursuant to A.R.S. § 40-252, to reflect the change in Commission
19 policy." Johnson Utilities is not seeking a decision from the Commission on imputation
20 of income taxes in this case, but rather a ruling consistent with Decision 72177 that
21 would allow the Company to seek a subsequent amendment of Decision 71854 if the
22 Commission changes its policy on imputation of income tax expense for S-corporations
23 and limited liability companies. Johnson Utilities is a participant in Docket W-00000C-
24 06-0149, and the Company will abide by the outcome of the water workshops on the
25 issue of imputed income tax expense.

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28 ⁴⁰ Hearing Exhibit A-2, Volume III at 15.

⁴¹ Staff's Response to Petition to Amend at page 11, lines 3-4.

1 Since Johnson Utilities is not seeking imputation of income tax expense at this
2 time, the Company will not respond to the arguments of Staff and RUCO that are set out
3 in their respective responses to the Petition to Amend Decision 71854. Rather, the
4 Company will incorporate by reference the arguments that are set forth in its Petition to
5 Amend Decision 71854 filed February 28, 2011, its Exceptions to the Recommended
6 Opinion and Order filed May 17, 2010, its Closing Brief filed November 20, 2009, and
7 its Reply Brief filed December 11, 2009.

8 **III. REPLY TO RESPONSE OF SWING FIRST GOLF.**

9 SFG's response to Johnson Utilities' Petition to Amend Decision 71854 rehashes
10 many of the same meritless accusations and personal insults that characterized its prior
11 filings in this case. SFG is a disgruntled customer with a complaint pending against
12 Johnson Utilities in Docket WS-02987A-08-0049. Rather than pursuing its complaint in
13 the complaint docket, which was opened more than three years ago in January 2008,
14 SFG opted to wage its fight against Johnson Utilities in this rate case docket, in the
15 obvious hope of inflicting harm upon the company and securing an advantage in the
16 complaint case.

17 Johnson Utilities has previously addressed the allegations of SFG in testimony,
18 pleadings and briefs filed in this docket, which are incorporated herein by this reference.
19 As a result, Johnson Utilities will not address the allegations again in this reply.
20 However, while Staff and RUCO did not identify additional issues for consideration by
21 the Commission in connection with the Petition to Amend Decision 71854, SFG
22 identified four issues in addition to the eight raised by Johnson Utilities. The four
23 additional SFG issues are addressed below.

24 **A. There Is No Basis to Exclude the Pecan WTP from Rate Base.**

25 SFG asks the Commission to exclude the Pecan Wastewater Treatment Plant
26 ("Pecan WTP") from rate base because SFG alleges that Johnson Utilities has not
27 resolved NOV's issued by the Arizona Department of Environmental Quality ("ADEQ")
28 pertaining to the plant. This claim, however, is misleading. In its June 1, 2011 response

1 to the Petition to Amend Decision 71854, SFG cites two NOV's that are addressed in
2 Decision 70849 in Docket WS-02987A-07-0487: NOV 92021 issued March 4, 2008 and
3 NOV 97512 issued June 5, 2008.⁴² In a 200-plus page Petition to Amend Decision
4 70849 filed May 6, 2011, Johnson Utilities meticulously describes with supporting
5 documentation the steps taken to address each compliance requirement of each NOV.⁴³
6 Notwithstanding the Company's unrefuted and documented compliance with all
7 requirements of the two NOV's, ADEQ has not issued closure letters. However, the lack
8 of closure of the NOV's should not be construed as a lack of full compliance with the
9 NOV's by Johnson Utilities. In the most recent inspection of the Pecan WTP that
10 occurred on February 16, 2011, ADEQ found the Pecan WTP to be in full compliance,
11 reporting that no significant new deficiencies were noted during the inspection, and
12 stating that no further action is planned as a result of the inspection.⁴⁴ Johnson Utilities
13 has requested that ADEQ close the NOV's, but there is nothing more that Johnson
14 Utilities can reasonably do to achieve closure of the NOV's.

15 SFG cites no Arizona statute, rule, Commission decision or policy, or other legal
16 authority to support its request to exclude the Pecan WTP from rate base on the basis of
17 the 2008 NOV's. Further, neither Staff nor RUCO supports the exclusion of the Pecan
18 WTP from rate base.⁴⁵ In fact, Staff stated that "[f]or the most part, SFG recommends a
19 number of actions, most of which are beyond the constitutional and statutory authority of
20 the Commission to implement."⁴⁶ The uncontroverted evidence in this case showed that
21 the Pecan WTP is "used and useful" in providing service to test-year customers. SFG's
22 request to exclude the Pecan WTP from rate base should be rejected.

23 ⁴² In Decision 70849, the Commission conditionally granted an extension of Johnson Utilities' CC&N for
24 sewer service to include two planned residential developments known as Skyline Estates and Quail Run
25 Estates and the J.O. Combs Unified School District campus known as J.O. Combs Educational Village.
Johnson Utilities is presently providing sewer service to the Combs High School, which has a current
enrollment of approximately 1,050 students.

26 ⁴³ The Company's Petition to Amend Decision 70849 is incorporated herein by this reference.

27 ⁴⁴ A copy of the inspection report and the March 9, 2011 transmittal letter from ADEQ are attached as
Attachment 6 to the Petition to Amend Decision 70849.

28 ⁴⁵ Staff's Initial Post-Hearing Brief (November 20, 2009) at page 24, lines 22-23; RUCO Reply Brief
(December 11, 2009) at page 10, lines 21-22.

⁴⁶ Staff's Post-Hearing Reply Brief (December 11, 2009) at page 12, lines 12-13.

1 B. **There Is No Basis to Fine Johnson Utilities in this Rate Case.**

2 SFG asks the Commission to fine Johnson Utilities for allegedly disregarding
3 public service obligations, environmental laws and Commission orders. Again, however,
4 SFG cites no Arizona statute, rule, Commission decision or policy, or other legal
5 authority to support its request for a fine in a rate case. Neither Staff nor RUCO
6 proposed fines in this case, nor did they support SFG's request for a fine.⁴⁷ SFG's request
7 for a fine against Johnson Utilities should be rejected.

8 C. **There Is No Basis to Penalize Johnson Utilities with a Reduced Return**
9 **on Equity.**

10 The record shows that SFG performed no financial analysis of any kind on
11 Johnson Utilities' rate application, nor did SFG present any testimony or evidence
12 regarding return on equity. Further, SFG cites no Arizona statute, rule, Commission
13 decision or policy, or other legal authority that would support penalizing Johnson
14 Utilities by reducing its return on equity. Neither Staff nor RUCO supported SFG's
15 request to penalize Johnson Utilities with a reduced return on equity.⁴⁸

16 Lowering a utility's return on equity as a penalty would violate the longstanding
17 standards set forth in *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591,
18 604-05, 64 S.Ct. 281, 289 (1944) and *Bluefield Waterworks & Imp. Co. v. Public Service*
19 *Comm'n of West Virginia.*, 262 U.S. 679, 692, 43 S.Ct. 675, 679 (1923). These landmark
20 U.S. Supreme Court rulings established the basic criteria applicable to determining a fair
21 and reasonable rate of return. As stated by Mr. Bourassa in his Supplemental Rebuttal
22 Testimony:

23 In short, a utility's authorized rate of return should satisfy the following:

- 24 (1) The rate of return should be commensurate with returns on
25 investments in other enterprises having corresponding risk;

26
27 ⁴⁷ Staff's Initial Post-Hearing Brief (November 20, 2009) at page 24, lines 22-23; RUCO Reply Brief
(December 11, 2009) at page 11, lines 3-7.

28 ⁴⁸ Staff's Initial Post-Hearing Brief (November 20, 2009) at page 24, lines 22-23; RUCO Reply Brief
(December 11, 2009) at page 11, line 8.

- 1 (2) The return should be sufficient to ensure confidence in the financial
2 integrity of the utility and to maintain and support the utility's credit;
3 and
4 (3) The return should enable the utility to attract capital necessary for
5 the proper discharge of its duties.⁴⁹

6 Likewise, under the Arizona Constitution "the Commission is required to find the
7 fair value of the company's property and use such finding as a rate base for the purpose
8 of determining what are just and reasonable rates." *Arizona Corp. Comm'n v. Arizona*
9 *Public Service Co.*, 113 Ariz. 368, 370, 555 P.2d 326, 328 (1976) (citing *Simms v. Round*
10 *Valley Light & Power Co.*, 80 Ariz. 145, 294 P.2d 378 (1956)). "Thus, the rates
11 established by the Commission should meet the overall operating costs of the utility and
12 produce a reasonable rate of return [or operating margin]. It is equally clear that the rates
13 cannot be considered just and reasonable if they fail to produce a reasonable rate of
14 return or if they produce revenue which exceeds a reasonable rate of return." *Scates v.*
15 *Arizona Corp. Comm'n*, 118 Ariz. 531, 534, 578 P.2d 612, 15 (Ct. App. 1978) (emphasis
16 added).

17 For all of the reasons set forth above, SFG's request to penalize Johnson Utilities
18 with a reduced return on equity should be rejected.

19 D. **There Is No Basis to Rescind the CC&N of Johnson Utilities.**

20 SFG asks the Commission to consider whether to order a "show cause" phase in
21 this case to determine whether the CC&N of Johnson Utilities should be rescinded.
22 However, the request is fatally flawed because a CC&N may not be revoked without
23 proper notice and a hearing. This rate case has not been noticed as a CC&N deletion
24 case, and any discussion regarding a deletion of the CC&N is outside the scope of this
25 proceeding. Neither Staff nor RUCO supported SFG's request regarding rescission of the
26 Company's CC&N. SFG's request should be rejected.

27
28 ⁴⁹ Supplemental Rebuttal Testimony of Thomas Bourassa (Hearing Exhibit A-3 at page 7).

1 **IV. NOTICE TO CUSTOMERS.**

2 On or before June 1, 2011, Johnson Utilities provided written notice of its Petition
3 to Amend Decision 71854 to all current water and wastewater customers via a newsletter
4 ("Newsletter") that was mailed to each customer. A copy of the Newsletter is attached to
5 the Affidavit of Stephanie Poulin, which is attached hereto as Attachment A. Included
6 on the third page of the Newsletter is the customer notice ("Customer Notice"), captioned
7 *Johnson Utilities Submits Request to Modify Rate Case Decision*, which: (i) describes
8 with specificity the relief requested in the Petition to Amend Decision 71854, (ii)
9 informs customers that the Petition was filed because "the current authorized rates and
10 charges do not allow the Company to earn a just and reasonable return," and (iii) directs
11 customers with questions regarding the Petition to contact the Company via telephone or
12 e-mail, as specified in the Customer Notice. As of June 14, 2011, the date of Ms.
13 Poulin's affidavit, Johnson Utilities had received only one communication from a
14 customer regarding the Petition. In that communication, the customer expressed support
15 for the Company's request to change the \$40.00 late fee in the wastewater division tariff
16 to a late fee of 1.5% per month of the unpaid account balance, consistent with the
17 Company's water division tariff.

18 The Customer Notice fairly characterizes the Petition to Amend Decision 71854
19 and informs customers that Johnson Utilities is seeking changes to its authorized rates
20 and charges. It bears noting that SFG is the only customer that intervened in the rate
21 case, and SFG intervened because of a complaint it has pending against the Company. In
22 addition, no customer of the Company attended any of the multiple days of hearing to
23 make public comment. Notwithstanding, if the Commission determines that notice
24 above and beyond the Customer Notice is required, the Company will provide such
25 additional notice in the form prescribed by the Commission.

1 **V. RECOMMENDED PROCEDURE.**

2 In their responses, Staff and RUCO each oppose reopening Decision 71854 as
3 requested by Johnson Utilities, and neither proposes any additional issues for
4 consideration by the Commission beyond those raised by Johnson Utilities in the Petition
5 to Amend Decision 71854. SFG also opposes reopening Decision 71854 in its response,
6 but identifies four additional issues to be addressed by the Commission should it elect to
7 reopen the decision. However, for the reasons discussed above, the additional issues
8 identified by SFG should be rejected.

9 Neither Staff nor SFG discuss a procedure in their responses to address the relief
10 requested in the Petition to Amend Decision 71854 in the event the Commission decides
11 to reopen the decision. RUCO states in its response that it is not necessary for the
12 Commission to schedule a hearing to consider whether to reopen Decision 71854, and
13 Johnson Utilities agrees with this position. RUCO also states that if the Commission
14 decides to reopen Decision 71854, it should schedule another procedural conference to
15 determine how to proceed once all of the issues that will be considered have been
16 identified. Johnson Utilities disagrees with RUCO on this point.

17 As stated in Johnson Utilities' filing on June 1, 2011, there is a robust and ample
18 record in this case, and the Company does not believe that additional witness testimony
19 or additional hearing days are needed in order to address the relief requested in the
20 Petition to Amend Decision 71854. Johnson Utilities also proposed that if the
21 Commission decides to reopen the Decision, the Commission should issue a procedural
22 order establishing the scope of issues and setting a briefing schedule consisting of
23 simultaneous opening briefs and simultaneous response briefs. However, after reviewing
24 the responses filed by Staff, RUCO and SFG, it is clear to the Company that the issues
25 have been fully briefed, that the issues and the positions of the respective parties are
26 clear, and that any additional briefing would be redundant and unnecessary. In short, the
27 Commission has all of the testimony and legal briefing necessary to render an informed
28 decision on the eight issues raised by Johnson Utilities and the four additional issues

1 raised by SFG, should the Commission elect to consider those issues. Thus, Johnson
2 Utilities urges the Commission to schedule a vote on reopening Decision 71854 at a
3 future Staff Meeting or Open Meeting. If the Commission votes to reopen Decision
4 71854, then the Commission could consider the relief requested in the Petition at a
5 subsequent Open Meeting.

6 RESPECTFULLY submitted this 15th day of June, 2011.

7 BROWNSTEIN HYATT FARBER
8 SCHRECK, LLP

9 

10 Jeffrey M. Crockett, Esq.
11 40 N. Central Ave., Fourteenth Floor
12 Phoenix, Arizona 85004
13 Attorneys for Johnson Utilities LLC

14 ORIGINAL and thirteen (13) copies of the
15 foregoing filed this 15th day of June, 2011, with:

16 Docket Control
17 ARIZONA CORPORATION COMMISSION
18 1200 West Washington Street
19 Phoenix, Arizona 85007

20 Copy of the foregoing hand-delivered
21 this 15th day of June, 2011, to:

22 Teena Jibilian, Administrative Law Judge
23 Hearing Division
24 ARIZONA CORPORATION COMMISSION
25 1200 West Washington Street
26 Phoenix, Arizona 85007

27 Janice Alward, Chief Counsel
28 Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

1 Steve Olea, Director
2 Utilities Division
3 ARIZONA CORPORATION COMMISSION
4 1200 West Washington Street
Phoenix, Arizona 85007

5 Daniel W. Pozefsky, Chief Counsel
6 RESIDENTIAL UTILITY CONSUMER OFFICE
7 1110 W. Washington Street, Suite 220
Phoenix, Arizona 85007

8 COPY of the foregoing sent via e-mail and first
9 class mail this 15th day of June, 2011, to:

10 Mr. James E. Mannato
11 Town Attorney
12 P.O. Box 2670
13 775 North Main Street
14 Florence, Arizona 85232-2670

15 Mr. Craig A. Marks
16 Craig A. Marks, PLC
17 10645 North Tatum Boulevard, Suite 200-676
18 Phoenix, Arizona 85028

19 
146761X1548839.1

Attachment A

AFFIDAVIT OF STEPHANIE POULIN

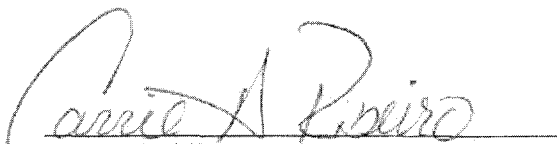
STATE OF ARIZONA)
)
COUNTY OF PINAL) ss.

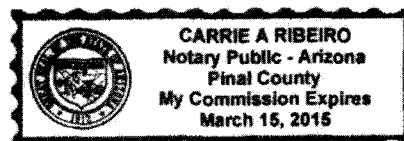
I, Stephanie Poulin, being first duly sworn, depose and state as follows:

1. I am a resident of Pinal County, State of Arizona.
2. I have personal knowledge of the facts set forth below, and if called upon to do so, I am competent to testify thereto.
3. On or before June 1, 2011, I caused a copy of the newsletter attached hereto as Attachment 1 ("Newsletter") to be mailed to all current water and all current wastewater customers of Johnson Utilities, L.L.C. ("Johnson Utilities" or the "Company"). Included on the third page of the Newsletter is a notice ("Notice") captioned "Johnson Utilities Submits Request to Modify Rate Case Decision" which: (i) describes the Company's Petition to Amend Decision 71854 Pursuant to A.R.S. § 40-252 ("Petition") filed in Docket WS-02987A-08-0180, and (ii) directs customers with questions regarding the Petition to contact the Company via telephone or e-mail, as specified in the Notice.
4. In my role as office manager, I have personal knowledge of the written correspondence and oral communications (whether by telephone or in person) that Johnson Utilities receives from its customers. As of the date of this affidavit, Johnson Utilities has received only one communication from a customer regarding the Petition. In that communication, the customer expressed support for the Company's request in the Petition to change the \$40.00 late fee in the wastewater division tariff to a late fee of 1.5% per month of the unpaid account balance, consistent with the Company's water division tariff.


STEPHANIE POULIN

SUBSCRIBED AND SWORN to before
me this 14th day of June, 2011.


Notary Public



Attachment 1

WE'RE WATCHING YOUR WATER & YOU SHOULD TOO!

Johnson Utilities is VERY concerned about the FLORENCE COPPER PROJECT! Water contamination is at the top of our list of problems with this project, but we have many other objections.

Curis Resources Ltd. proposes an 1182 acre "in-situ" COPPER MINING OPERATION on property surrounded by residential uses in the Merrill Ranch/Anthem master planned community. This project is just 2 MILES from homes, wells, and schools and only 1000 feet from a future drinking water well!

We are looking into and still waiting for answers from Curis to our questions about possible soil contamination, environmental pollution, reduced property values and tax payer liabilities. There are many issues we demand facts about.

VISIT www.johnsonutilities.com often for more information on this matter.

Visit www.protectourwaterourfuture.com NOW for facts on what could happen to your water supply and how you can get involved.

Send comments/concerns to: ellenmbabbitt@gmail.com or call Ellen at (480) 707-3955.

Community Meeting Announcement for June 9th

Citizen Involvement is the Key to Change

The San Tan Valley Villages are bringing together residents who have a desire to improve and maintain the quality of life in our community. You are invited to attend our next meeting and learn more about our mission . . . and how, together, we can make a difference. The future of San Tan Valley will be shaped by those of us who care about our neighborhoods and are willing to take action to plan, promote and manage the factors that impact our families. Our guest speaker at our next meeting will be Mr. Fritz Behring, Pinal County Manager. Please join us as we learn from Mr. Behring how we can effectively partner with our County government to achieve our common objectives.

Michael Timm, Chair – Pinal County Taxpayers' Association Date: Thursday, June 9, 2011 Time: 6:30 p.m.

Location: Central Arizona College

2474 E. Hunt Highway, Suite 100 (behind Barro's Pizza)

Please respond to: Ellen Babbitt (480) 707-3955 / ebabbitt@pcta.org or Michael Timm mtimm@azpcta.org

Sponsored by the Pinal County Taxpayers' Association – www.azpcta.org



Prevent Drowning - Block, Watch, and Learn

Arizona has the highest child-drowning rate in the US.

Don't put our children in danger!

Johnson Utilities, Johnson Community Library, YMCA, CPR Pro's, Leslie's Pool Supplies, and Drowning Prevention Coalition of Arizona have teamed up to make our community aware of the dangers of children and water.

The YMCA provides a variety of water safety classes to help families and children learn good water safety practices designed to help prepare for life-threatening emergencies. Be a part of creating a more aware healthier, better prepared community by signing up for one of the water safety classes.

With many life-threatening emergencies happening in or around the pool area, it's more important than ever to be prepared in case you're confronted with an emergency. Being prepared can avert tragedy and minimize the possibility of injury or death.

Tragically, 16 deaths, including 7 of them being children, have resulted from 43 water related incidents this year, and we are just getting started. Drowning is the leading cause of death for children ages 1 to 4 in Arizona. Johnson Utilities and the Johnson Community Library have been provided literature to share with the community. Please stop by Johnson Utilities or the library located at 968-1 E Hunt Hwy and pick up a free Drowning Prevention Packet.

Leslies Pools has provided a coupon to help save money on ALL pool safety products valid at any of their 54 valley wide locations. (Coupon on page 2 of this newsletter) Visit www.johnsonutilities.com to learn more.

JOHNSON NEWS **Our Children Our Community Our Future**

Did you know?

Monthly Statements

Everyone is mailed a bill through the United States Postal Service. If a Johnson Utilities monthly statement is not received please contact customer service and have another one sent to you. Please Note: Johnson Utilities statements are mailed out the last week of every month. For example: January's bills are mailed out the last week of December and are due January 15th. Residential, Commercial, and Builder's are all accounted for when leaving the Johnson Utilities Office. Johnson Utilities has no control OR can not be held responsible for the whereabouts of your statement once they are picked up by USPS and leaves our facility. You are still responsible for your monthly bill. Johnson Utilities Water/Waste Water statements are billed on a monthly basis and are due on the 15th of every month.

E-Bill

E-Bill enables you to access your monthly electric bill from the Internet using any available web browser. The Johnson Utilities monthly statement is emailed to the email address you provide and access is available 24 hours per day, 7 days per week. Visit www.johnsonutilities.com and simply click on MY ACCOUNT to sign up today.

EFT (Electronic Funds Transfer)

Electronic Funds Transfer, often called EFT, is a payment method that replaces sending a paper check. Your monthly balance will be withdrawn on the 15th of every month automatically. You no longer have to worry about whether your payment made it through the mail on time. Registration for EFT is a simple one-time process. In order to have your funds deducted electronically from your checking account you will have to provide us with a Voided Check and an EFT Form you can conveniently download online.

Online Payment

The PAY ONLINE option allows customers to pay their Johnson utility bill with Visa, Mastercard, or Discover. Online payments are processed (takes up to 3 days) through Authorized.net and there is a fee (\$1.00) for this service. **HOWEVER** you can not make a payment online if your account: 1. Received a Disconnect Notice. 2. Your account is about to be disconnected. 3. Your account has been disconnected due to delinquency. Please visit our FAQ's online for more information.

Pay in Person

Johnson Utilities is located at 968 E Hunt Hwy. Our lobby hours are Monday-Friday 8AM-4:45PM. We gladly accept payments during these business hours. Please bring your Johnson Utilities statement for faster service.

Pay over the phone

We gladly accept Visa, Mastercard, and Discover Payments over the phone. You may call 480-987-9870 Monday-Friday 8AM-4:45PM to make a payment to your account. Please have your Johnson Utilities account number available to ensure faster service. Please note that there is a longer on hold time on the 15th of the month.

JOHNSON UTILITIES SUMMER POOL SAFETY TIPS!

Block

- Make sure your pool or spa has an effective barrier, such as a fence to help guard against unauthorized access.
- Your pool or spa should have a barrier regardless of whether they are covered.
- Door and windows leading to the pool areas should be locked.
- Fence gates should have self-closing, self-latching mechanisms. Latches need to be out of reach of young children.

Watch

- Never leave your child unattended in or near a swimming pool, hot tub, spa, not even for a second.
- Keep toys, tricycles, and other children's play things away from the pool or spa.
- Don't consider your children to be "drownproof" because they have taken swimming lessons.
- Don't allow barriers, such as fences or walls, give you a false sense of security regarding your child's safety. There is No substitute for adult supervision.

Learn

- Learn how to administer CPR, mouth-to-mouth resuscitation, and other lifesaving techniques. To administer CPR correctly you must be properly trained.
- Know how to contact your local emergency medical services. Install a phone or keep a cordless phone in the pool or spa area. Post the emergency number in an easy to see place.
- Learn to swim and teach age appropriate children to swim.

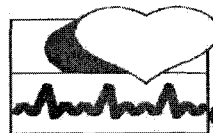
Other Pool Safety Tips

- Do not allow children to play in or around the pool area.
- Mount life saving devices near the pool.
- Keep tables, chairs and ladders away from pool fences.
- Check placement of doggie doors for direct access to pool area.
- Post your local emergency number on the phone. Think about installing a phone near the pool area.

If you find a child in any source of water...

- Yell for help and pull the child out of the water.
- Call 9-1-1 or your local emergency number immediately!
- Begin CPR if you are trained.
- If you are not trained to administer CPR, follow the instructions from the 9-1-1 operator until help arrives.

Adult supervision is the best approach in the prevention of drowning



CPR PROS
"We're Here For Life"

**SUMMER IS COMING,
LEARN CPR AND SAVE A LIFE!**

CPR Pros will be holding a CPR/First Aid Class Saturday June 18th from 10:30 am to 1:30 pm in the community room of the Central Arizona College San Tan campus located in the strip mall plaza off Hunt Highway/Coppermine Road in Copper Basin/San Tan Valley. Space is limited so reserve your spot today! Contact CPR Pros at 602-717-6193 or visit us on the web at

www.cprpros.net LEARN CPR AND SAVE A LIFE!!!

LESLIE'S SWIMMING
POOL SUPPLIES.

lesliespool.com

Make your pool experience safer this summer with offers on: Safety Fences, Door Alarms, Floatation Devices, Pool Alarms and More!

Visit any of our 54 Valley wide locations and receive **10% off** important pool safety products.

Pool Care Made Easy

10% Off
All Pool Safety Products

Offer Ends July 31, 2011

1000001913

Offer expires 07/31/11. Discount cannot be combined with other offers. Other restrictions may apply. See store for details. © 2011 Leslie's Poolmart, Inc.

Johnson Utilities Submits Request to Modify Rate Case Decision

On August 25, 2010, the Arizona Corporation Commission ("Commission") issued Decision 71854 which substantially reduced the water and sewer rates of Johnson Utilities ("Company"), retroactive to June 1, 2010. The Company believes there are a number of erroneous findings of fact and conclusions of law in the decision, and that the current authorized rates and charges do not allow the Company to earn a just and reasonable return as legally required by the Arizona Constitution. In fact, Johnson Utilities is now operating at a loss as a result of the rates and charges approved in Decision 71854. While customers should rightly expect that the Company will operate prudently and efficiently in order to keep rates and charges at the lowest reasonable levels, the rates and charges approved in Decision 71854 place the Company in financial jeopardy, which is contrary to the best interests of the Company's customers. Therefore, the Company has filed a petition with the Commission to amend Decision 71854 as follows:

- Changing the \$40 per month late fee in the wastewater division tariff to a late fee of 1.5% per month on the unpaid account balance, consistent with the Company's water division tariff. It should be noted that the Company did not propose the \$40 later charge, and its inclusion by the Commission in the final authorized rates and charges was presumably a simple mistake.
- Adding back into rate base \$18,244,755 of wastewater plant which was improperly removed from rate base. The removal of the wastewater plant from rate base was based upon unwarranted, arbitrary and inconsistent adjustments proposed by Commission staff.
- Removing from rate base \$6,931,078 in unexpended test year hook-up fees ("HUFs"). Since issuing Decision 71854, the Commission has reversed its policy regarding the exclusion of unexpected HUFs from rate base, and has excluded unexpended HUFs in another utility rate case. The Company should be treated the same.
- Reinstating the Company's previously authorized hook-up fees for new water and sewer connections. By so doing, new development will pay its proportionate share of the cost of new utility infrastructure, as opposed to requiring existing customers to subsidize the cost of new utility infrastructure to serve new development.
- Establishing a rate of return for the Company based upon its weighted average cost of capital. Because of large reductions to the Company's rate base in Decision 71854, the Company has a negative rate base for its combined water and wastewater divisions. As a result, the Commission established a minimal operating margin as opposed to a rate of return. The Company is legally entitled to a reasonable rate of return.
- Reclassifying \$2,201,386 of wastewater plant erroneously classified as post test-year wastewater plant in the rate case application to test year plant-in-service.
- Including in plant-in-service post test-year wastewater plant of \$1,021,076 which is necessary to serve the test year-end level of customers.
- Including imputed income tax expense in the Company's revenue requirement if approved in Generic Docket W-00000C-06-0149 where the issue is being considered.

The amendments to Decision 71854 described above are necessary to ensure the continued financial viability of the Company. If you have questions regarding the Company's petition, please contact us at 480-987-9870 or via the Internet at customerservice@johnsonutilities.com.



Students Learn the Hazards of Driving Under the Influence Mountain Vista Middle School

The eighth grade Mountain Vista Middle School students had the tremendous opportunity to participate in a simulated Driving Under The Influence Activity. Deputy Delicia Randall, the school's resource officer, brought in the Pinal County Sheriff's Golf Cart and the goggles that simulate how dangerous it is to drive under the influence of alcohol or other drugs. A course was set up on campus using orange cones and a golf cart. The principal went first to demonstrate sober driving and then the students chose the fatally impaired goggles for her to wear; each cone hit represents a life and/or damage to property. The students then got to try the simulation under the supervision of their teacher and the School Resource Officer, Deputy Delicia Randall. This was a great way to end their unit on drug and alcohol abuse with a "hands on" activity that they had the opportunity to debrief following the exercise. We would like to thank the Pinal County Sheriff's Office for making

The Coolidge Unified School Dist. announces the sponsorship of the Summer Food Service Program for Children.

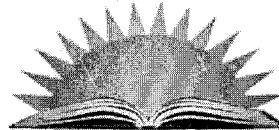
Meals will be made available free to all children 1-18 years of age within the approved geographical area. Listed below are the dates, times and locations meals will be provided:

Date applies to all sites. 5/31/11 - 7/1/11 and 7/11/11 - 7/29/11
Breakfast 7:30am-8:30am., Lunch 11:00am -1:00pm

San Tan Heights Elementary 2500 W. San Tan Hgts. Blvd. San Tan Valley
Copper Basin YMCA, 28682 N. Main St., San Tan Valley, Az. 85143
Florence Park & Recreation, 133 N. Main St., Florence, Az. 85232



SAN TAN SHOPPER
Community & Business Directory
Presented by The San Tan Regional Chamber



JOHNSON COMMUNITY LIBRARY

PH 480-353-2770
Fax 480-353-2771

Mon-Thurs 9-8pm Fri & Sat 9-5pm
968-1 E Hunt Hwy Queen Creek AZ 85143

Visit www.johnsoncommunitylibrary.org
to sign up for our *NEW* Summer programs and
participate in our Children's Story Time held on
Tuesday's and Thursday's weekly.

S.A.N.D.
Superstition Area
Networking & Development



TAKING CARE
OF BUSINESSES
SINCE 2005

The San Tan Valley Chamber of Commerce focuses on promoting our members and providing them with the tools and resources needed to grow.

General Membership meetings are held the fourth Thursday of each month, 7:30am at the SRP Service Center (3735 E. Combs Road, San Tan Valley, AZ 85140)

UPCOMING MEETINGS & MIXERS

Thursday, May 26th, 7:30am – General Membership Meeting
General Membership meetings are held the fourth Thursday of each month, 7:30am at the SRP Service Center (3735 E. Combs Road, San Tan Valley, AZ 85140)

Thursday October 6th 7am-1pm - Northeastern Buy Pinal - if you have a business - you don't want to miss this event!



"Designated Water Watchers" Save Lives

According to media reports, nearly Half of Serious Water Related Incidents, involving children, were in a group setting beside a pool, like a pool party.

To improve supervision, adults are encouraged to:

- Designate a "Water Watcher," with a lanyard, wristband, hat, bandana, or any item that can remind adults about who is responsible for watching children. The Water Watcher should sit close to the water, stay within "touch distance" of children and maintain eye-to-eye supervision of the children.
- Switch to a new Designated Water Watcher every 15-20 minutes.
- "Guard the gate," ensuring that barriers are in place when a Water Watcher needs to take a break.
- Make sure the Water Watcher is a capable adult, who knows how to swim. Limit alcohol consumption for Water Watchers.

Having a Water Watcher in place can allow everyone to have a great time beside the water, without taking chances with children's safety.

Your home, your party, your responsibility.

"Water Watcher" tags and "Banner Buddies" wrist reminders and "Designated Water Watcher" baseball caps are available at no cost to you from Swift Office Solutions, until supplies are gone. (480) 966-2100.

Designated Water Watcher tags and Banner Buddies wrist reminders are supplied by Phoenix Children's Hospital and Cardon Children's Medical Center.



FEATURED BUSINESSES

This month the San Tan Valley Chamber of Commerce wants to CONGRATULATE the following 4 businesses that won the opportunity to have their businesses featured in this newsletter! With distribution to over 30,000 homes – this is a prime example of the San Tan Valley Chamber of Commerce working to promote our members! An amazing benefit available ONLY to San Tan Valley Chamber of Commerce members!

HILL FAMILY DENTISTRY



Now open in San Tan Valley!
Dr. Tim Hill and his staff look forward to providing your family access to superior dental health in a friendly, comfortable environment. All aspects of dentistry are provided from implants and root canals to fillings and cleanings for patients age 1 to 100. Insurance is accepted and an in office insurance is available, as well as financing. Visit us HillFamilyDentistry.com or call 480-588-8127 to make Hill Family Dentistry your family's dentist!

LAW OFFICE OF ALAN K. WITTIG, P.C.



When you need an Attorney, look no further than the San Tan Valley. I am a sole practitioner with over 18 years of experience. I provide general legal services including family law, personal injury, criminal defense and other areas of practice. I also offer legal document preparation including QDROs (Qualified Domestic Relations Orders). For your local personalized legal needs contact me at 480-510-8318.

FLORENCE UNIFIED SCHOOL DISTRICT #1



The "KIDS FIRST" District, where your child's education and well-being are number one! Our district is a recognized leader in educational technology at all levels, but it is our teachers who really make the difference. With 8 computers in every K-8 classroom, 1-to-1 computing in both high schools, interactive whiteboards, projectors, document cameras and more, our staff has the coolest tools in education today, but their dedication to know each child and to teach each child to his or her best potential drives beyond technology to RESULTS. Florence USD, serving Florence and San Tan Valley, and now accepting a LIMITED NUMBER of out-of-district applications. Call 520-866-3511 for more information or visit www.florenceusd.org.



DESERT SCHOOLS
FEDERAL CREDIT UNION

**DESERT SCHOOLS FEDERAL
CREDIT UNION**

The largest credit union in Arizona, federally insured by the NCUA. We are a not-for-profit financial institution owned by our members—people like you. With over 75 Desert Schools ATMs and 50 branches in Arizona, 24x7 Online Banking and phone access & free email and text message alerts on your account activity. Please visit us in the San Tan Valley Wal-Mart or call us at 602.335.4540 to join today!

